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IN THE

Supreme Court of the United States

October Term 1944, No. 202

THE STANDARD REGISTER COMPANY,
Petitioner,

vs.

AMERICAN SALES BOOK CO., INC.,
Respondent.

PETITION OF THE STANDARD REGISTER COMPANY FOR A WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT, WITH BRIEF IN SUPPORT THEREOF.

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Of Counsel.



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*To the Honorable, The Chief Justice and Associate Justices
of the Supreme Court of the United States:*

Your Petitioner, The Standard Register Company, respectfully prays that a writ of certiorari issue to the Circuit Court of Appeals for the Second Circuit, to review the judgment of that Court entered herein on April 6, 1945.

A transcript of the record of the case, including the proceedings in said Circuit Court of Appeals, is supplied herewith in accordance with the rules of this Court.

**Summary and Short Statement of the
Matter Involved.**

1. Petitioner, The Standard Register Company, is in the business of designing and creating specialized record keeping business systems and of printing unpatented multiple-

copy strip stationery called "continuous business forms" used in such systems. These forms are rendered salable because they are custom-designed and printed with precision accuracy according to the individual record-keeping needs of each customer. They are extensively used with business machines such as tabulators, accounting machines, teletypewriters, etc. The merits of the sale of each system depend largely upon the ability of the salesman to meet more adequately than Petitioner's competitors the special record-keeping requirements of each customer in form design.

2. In order to properly align the multiple copies of the continuous business forms of Petitioner and to positively feed them through the business machines, as well as to maintain proper alignment while feeding them through such machines, small holes are punched in the vertical margins of the forms, at regular intervals to be engaged by a so-called pin feeding device with which the business machines normally are not equipped.

3. Petitioner, through its inventive and research personnel, devised an ingenious, efficient and effective feeding device scientifically designed for feeding the forms of its manufacture through the various business machines to which its feeding device could be attached; and petitioner was granted patents for the various patentable features of its said feeding device.

4. The ordinary business machine is equipped to feed cut forms, envelopes, letterheads, invoices, checks, etc. by means of a friction feed platen. When equipped with Petitioner's feeding device any single business machine may perform the dual function of feeding both continuous marginally punched stationery manufactured by Petitioner and cut forms, envelopes, letterheads, invoices, checks, etc. (R.

13) which are produced by any job printer but not by Petitioner (R. 6, 37).

5. For a number of very cogent business reasons Petitioner did not sell its feeding devices to its customers for business forms. In the first place, the feeding device was an expensive product (R. 18), of precision manufacture, and its cost was so great it could hardly be expected that customers for the relatively very much cheaper stationery would be willing to pay even the manufacturing cost of the feeding device merely to use Petitioner's business forms (R. 18). Especially would this be the case where, as frequently happened, the manufacturers of the business machines from time to time changed the structures of those machines in such a manner as to require a modification in the structural arrangement of the feeding device to permit it to be attached to the machines, thereby necessitating, if the feeding device had been sold, the user thereof to acquire a new feeding device (R. 20). Additionally, the continued efficiency and effectiveness of the feeding device necessitated servicing, lubrication, adjustment, etc., which could best be given by one thoroughly familiar with the mechanics of its internal structure and with its mechanical operation. The feeding device was designed to meet the specific physical characteristics of Petitioner's paper (R. 18). If the device was sold to a customer of Petitioner at its high cost, there would be sales resistance met (R. 19); if the device could be made available without the necessity of the user paying its high cost, there would be a much wider distribution of Petitioner's products. In this same connection, if the customer wanted to use the positive feed device and continuous forms of any of the Petitioner's many competitors, the customer would be subjected to the necessity of purchasing a feed device from the competing concern as well (R. 17, 19). By making the feeding device

readily available through lease, the Petitioner has encouraged and promoted competition since at little or no expense the user of Petitioner's feeding device may either discard the same or also acquire for simultaneous use the feeding devices and punched continuous forms of competitors (R. 17, 18, 19). It has frequently happened that customers acquire continuous forms not only from Petitioner for use over Petitioner's feeding device but the same customers acquire forms from other suppliers also for use over the feeding devices of the other suppliers. In this way Petitioner is able to give a wider distribution of its products because when its customers no longer demand the Petitioner's device for feeding Petitioner's form, the Petitioner may loan the device to others who do require it for the feeding of Petitioner's forms. Such an arrangement does not preclude users from also using simultaneously the feeding devices and forms of Petitioner's competitors (R. 17). Furthermore, as opposed to making Petitioner's feeding device available to its customers by the sale thereof, it is apparent that by Petitioner retaining ownership of its feeding device and merely loaning it to its customers for its business forms, Petitioner could itself absorb the cost of the feeding device over a period of years, and be in a position to service and maintain the feeding device in constant efficient and effective operating condition.

6. Therefore, Petitioner *loaned* its feeding device without charge to customers for its paper forms. In order to insure the return of Petitioner's feeding device when the customer no longer needs or desires it for feeding Petitioner's continuous forms alternatively with cut forms made by any manufacturer, a standard form of loan agreement is used. This standard agreement expressly granted to the loanee what, in any event, was impliedly conveyed as a matter of law, namely, a license under all of Petitioner's

patents affecting the use of the loaned device. The loan agreement is reproduced in full at pages 38 and 39 of the Record, but the material parts thereof are as follows:

"The Standard Register Company, of Dayton Ohio, later referred to as 'Owner', in order to facilitate the use of marginally punched manifolding material purchased from it by _____, later referred to as 'User', in office mechanical devices, does hereby loan to and license said User to use the property described on the reverse side hereof in Schedule Two, which said property is patented under one or more United States and Canadian Letters Patent listed on the reverse side hereof in Schedule One.

• • • • •

This license shall continue only so long as the User purchases from the Owner or its authorized representatives, at the prevailing quotations made from time to time by Owner to others in similar position as User, marginally punched stationery or continuous form material for use on the devices licensed hereby in lots totaling minimum gross price of Fifty (\$50.00) Dollars per order and not less than Fifty (\$50.00) Dollars per year for each feeding device licensed hereunder and only so long as no continuous form material * or marginally punched forms obtained elsewhere than from Owner and/or its authorized representatives is used by User with the licensed property. *But nothing herein shall be deemed to restrict the User in the purchase of continuous manifolding form material from others than Owner, or to limit the User in the purchase, lease or license of feed aligning devices of others excepting that no license is to be implied hereby under the pat-*

* No reference is made to the cut forms made and sold for use over any feeding device including Petitioner's registrator platen in competition with Petitioner's continuous forms. Such use of cut forms by Petitioner's customers will not terminate the license agreement.

ents referred to in Schedule One as to such products of others.

The User may terminate this license agreement at any time upon ten days written notice, addressed to the Owner at Dayton, Ohio, but such termination shall not take effect until receipt by the Owner at Dayton, Ohio, of the licensed property." (Emphasis ours.)

No fixed period of use is specified in the loan of these patented registrator platens (R. 67, Ex. 16).

7. Petitioner never makes or sells marginally punched stationery for use over Respondent's feeding device (R. 15, 21, 22), and conversely the Respondent never makes marginally punched stationery for use over Petitioner's feeding device (R. 17, 22).

There are approximately fourteen companies engaged in the designing and manufacture of continuous forms of one kind or another, including the parties to this litigation (R. 35). These companies comprise the continuous form industry and are engaged in keen competition with one another. Substantially all of these companies make positive feed forms punched with feed holes and make their own feeding devices (R. 17, 36). It is possible (R. 36), but not practiced (R. 17), for one competitor to furnish continuous forms for use over another's feeding device.

8. The loan agreement is used merely in an incidental manner as an inducement to the customer and consequently an aid to the business of the Petitioner, and is not obnoxious to the rule of public policy as determined in the commercial contracts discussed and passed upon by this Court in *Federal Trade Commission v. Gratz*, 253 U. S. 421.

9. Respondent, American Sales Book Co., Inc., manufactured feeding devices in infringement of Petitioner's patents, whereupon, and because thereof, Petitioner insti-

tuted several patent infringement suits against Respondent in the United States District Court for the Western District of New York.

10. In each of said suits Respondent interposed the defense that Petitioner was improperly using its patents, as evidenced solely by Petitioner's loan agreement, and therefore, under the "improper use" doctrine,* that Petitioner was barred from enforcing its patents in those suits.

11. The rule of public policy applicable to this case is analogous to that announced by the *Gratz* case, *supra*. The "improper use" doctrine of the *Carbice* case is not applicable. This for the reason that the customer has an option in his sole discretion and business judgment either to

- (a) obtain and use exclusively competitors' feeding devices and continuous forms, and to cease using the Petitioner's feeding device and continuous form; or
- (b) obtain competitors' feeding devices and continuous forms to satisfy any part or proportion of his requirements for continuous forms, using Petitioner's feeding device and continuous forms in part and any competitor's feeding device and continuous forms in part.

This discretionary right may be exercised at any time by the customer after he makes Petitioner's loan agreement by terminating that loan agreement either by attempting to use continuous forms manufactured by competitors over the Petitioner's feeding device or by giving Petitioner ten days written notice of intention to terminate. Such discretionary

* *Carbice Corp. v. American Patents Development Corp.*, 283 U. S. 27; *Leitch Manufacturing Co. v. Barber Co.*, 302 U. S. 458; *Morton Salt Co. v. G. S. Suppiger*, 314 U. S. 488; *B. B. Chemical Co. v. Ellis*, 314 U. S. 495; *Mercoind Corp. v. Mid-Continent Investment Co.*, 320 U. S. 661.

terms of Petitioner's loan agreement subjects the customer to no penalty inasmuch as he pays no rental charge for Petitioner's feeding device. This discretionary right insures at all times open and free competition. The "improper use" doctrine, since its origin in the *Carbice* case (or, as some assert, in the case of *Motion Picture Patents Co. v. Universal Film Co.*, 243 U. S. 502), and in each of the cases in which it was subsequently applied by this Court (the *Leitch*, *Morton Salt*, *B. B. Chemical Co.* and *Mercoide* cases), was defined by this Court, in varying language, to constitute the attempt by a patent owner to use his patent as the effective means to create or enforce a monopoly in or restrain competition with the sale of an unpatented article of commerce which the patent did not cover. For example, in the *Carbice* case, this Court said (283 U. S. at p. 33):

"Relief is denied because the Dry Ice Corporation is attempting, without sanction of law, to employ a patent to secure a limited monopoly of unpatented material used in applying the invention." (Emphasis ours.)

(See, also, the *Leitch* case, 302 U. S. 458, at page 463); and in the *Morton Salt* case (314 U. S. 488, at p. 490) this Court said:

"The question we must decide is . . . whether a court of equity will lend its aid to protect the patent monopoly when respondent is using it as the effective means of restraining competition with its sale of an unpatented article." (Emphasis ours.)

(See, also, the *B. B. Chemical* case, 314 U. S. 495, at pages 497-498, and the *Mercoide* case, 320 U. S. 661, at p. 664.)

12. In the present case Petitioner has not been charged (nor could it have been charged) by Respondent with the attempt, by means of its loan agreements, to use its patents

for the feeding device *to create a monopoly in its unpatented business forms*, or with having used its patents as *the effective means of restraining competition with its sale of unpatented business forms*. To the contrary, Petitioner is charged solely with "using the monopoly of the patents here in suit for the purpose of *aiding Plaintiff's (petitioner's) business in such paper forms*", as will be seen by reading the entire defense raised by Respondent's answer (R. 2) and upon which defense, as so pleaded, the trial in this case was had.

13. It will thus be seen that the present case involves an extension of the "improper use" doctrine far beyond what was contemplated or intended when it was announced, as well as far beyond any possible application thereof under the definition uniformly given it by this Court. The serious and far reaching public, commercial and industrial consequences of extending the doctrine so as to be applicable to any use by a patent owner "*to aid its business*" in unpatented commodities, are believed to be obvious. For example, the mere statement of ownership of the patents for incandescent lamps, as a means of inducing purchaser confidence in the reliability of the source of advertised unpatented electric refrigerators, would thus become such "improper use" of the patents for the lamps as to prevent the subsequent enforcement of those patents against wilful infringers thereof. Under such circumstances the mention of ownership of the lamp patents obviously would be for the purpose of *aiding the business* of the patent owner in the sale of unpatented refrigerators.

14. Counsel for Petitioner and Respondent presented a joint motion, which was granted, for a separate and immediate trial on the issue raised by the sole defense of "improper use" as pleaded, and upon stipulation and order the several suits were consolidated into the present case

for the purpose of obtaining a prompt determination of that single issue.

15. The District Court (per Judge KNIGHT) sustained the defense and dismissed the complaint, and the Court of Appeals affirmed. This petition requests a review of the merits of the matter.

Questions Presented.

The questions presented for review by this Court if the present petition is granted, are:

1. Whether or not the doctrine of "improper use" of patents—heretofore uniformly stated by this Court to comprise a patent owner's attempt to use the patent as the effective means of creating or maintaining a monopoly in or of restraining competition with the patent owner in the sale of an unpatented article of commerce—is or should be applicable to a patent owner who has *not* used the patent in the manner condemned by the doctrine, but merely for the purpose of *aiding his business* in the sale of an unpatented commodity?

2. Under the facts of this case, is the Petitioner using his patents as the effective means of restraining competition in its sale of an unpatented article?

Reasons Relied Upon for the Grant of a Writ of Certiorari.

The discretionary power of this Court is invoked upon the following grounds:

1. Because the Court of Appeals for the Second Circuit has extended the "improper use" doctrine far beyond the limits expressed or implied by the decisions of this Court which created and applied it. Therefore, there is here pre-

sented an important question of federal law which has not been but should be passed upon by this Court.

2. Because the question presented is of great and far reaching importance to the public, as well as to all industry and commerce which, in any respect, is based upon or in any way affected by the ownership of patent rights.

WHEREFORE your petitioner respectfully prays that a writ of certiorari issue out of and under the seal of this Court, directed to the United States Court of Appeals for the Second Judicial Circuit, commanding said Court to certify and send to this Court, on a date to be designated, a full transcript of the record and all proceedings in the Court of Appeals had in this cause, to the end that this cause may be reviewed and determined by this Court as to the questions herein presented, and that the judgment of the Court of Appeals be reversed; and that petitioner may be granted such other and further relief as may seem proper.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Petitioner.

W. B. TURNER,
MARSTON ALLEN,
Of Counsel.

Dated: New York, N. Y.
July 2, 1945.

The first of these is the fact that the
author of the book is a man of letters.

It is a book which has been written
by a man who has spent his life in the study of the history of the world.

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BRIEF IN SUPPORT OF THE PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts Below.

The opinion of the District Court is reported in 56 F. Supp. at page 145, as well as on pages 46 to 52, inclusive, of the Record.

The opinion of the Court of Appeals for the Second Circuit is reported in 148 F. (2d) at page 612, and will also be found beginning at page 76 of the Record.

Jurisdiction.

The grounds for jurisdiction are:

1. The date of the judgment to be reviewed is April 6, 1945.

2. The judgment was rendered in a civil action brought under the patent statutes to determine the issues of validity and infringement of Letters Patent of invention.

3. The statute under which jurisdiction is invoked is 240(a) of the Judicial Code, 28 U. S. C. A. 347, as amended by the Act of February 13, 1925.

4. Cases believed to sustain the jurisdiction are:

Carbice v. American Patents Development, 283
U. S. 27;

Leitch Mfg. Co. v. Barber Co., 302 U. S. 458;

Morton Salt Co. v. G. S. Suppiger, 314 U. S. 488;

B. B. Chemical v. Ellis, 314 U. S. 495;

Mercoid v. Mid-Continent Investment Co., 320
U. S. 661.

Statement.

The facts are sufficiently stated in the petition.

Specification of Errors.

The errors which petitioner will urge, if the petition for writ of certiorari is granted, are that the Circuit Court of Appeals for the Second Circuit erred:

1. In affirming the judgment of the District Court which dismissed the complaint in this cause.

2. In extending the doctrine of "improper use" of patents to include within its application the present case where the patent owner is not even charged with improperly using its patents in the sense theretofore judicially condemned.

3. In holding, in effect, that because plaintiff used its patents merely to aid it in its business in the sale of unpatented commodities, plaintiff is precluded, by the improper use doctrine, from enforcing its patents against an infringer thereof.

4. In holding that the Petitioner under the facts of this case is using its patents as the effective means of restraining competition in Petitioner's sale of an unpatented article.

5. In failing to reverse the judgment of the District Court.

Summary of Argument.

The points of argument follow the reasons relied upon for the grant of a writ of certiorari and are stated on pages 10 and 11 of the petition, as well as in the index hereto. For the sake of brevity they are omitted at this point.

POINT I.

The Court of Appeals has extended the "improper use" doctrine far beyond the limits expressed or implied by the decisions of this Court which created and applied it. Therefore, there is here presented an important question of federal law which has not been but should be passed upon by this Court.

It is neither the desire nor the intention to here question the propriety of the "improper use" doctrine as announced by this Court in the *Carbice* case, and as applied by this Court in the cases subsequent thereto. Indeed, counsel for Petitioner in the present case was counsel for Carbice Corporation, the successful Petitioner before the Court in that case; and counsel for the present Respondent made much of that fact in his brief and oral argument before the Second Circuit Court of Appeals. Consequently the wisdom and propriety of the "improper use" doctrine, as well as its application to every instance where a patent owner uses his patent as the effective means to create or maintain a monopoly in an unpatented article of commerce or to restrain competition in the sale thereof, is as unreservedly applauded and supported by counsel for Petitioner in the present case as it was in the *Carbice* case. However, no facts in any way similar to those upon which the *Carbice* doctrine was based, or to which that doctrine as uniformly construed by this Court could be applied, are present in this case.

Petitioner's loan agreement constitutes the only and the entire evidence upon which Respondent's defense of "improper use" is based and upon which the decisions by the lower Courts were predicated. An examination of the loan agreement discloses that it expressly recites (R. 39):

"But nothing herein shall be deemed to restrict the User in the purchase of continuous manifolding form

material from others than Owner, or to limit the User in the purchase, lease or license of feed aligning devices of others excepting that no license is to be implied hereby under the patents referred to in Schedule One as to such products of others."

Thus it will be seen that rather than affording Petitioner, as a patent owner, an opportunity to use its patents as the effective means of creating or maintaining a monopoly in or of restraining competition with the sale of its unpatented business forms, *the loan agreement expressly and contractually excludes any such possibility.*

It was because of this fact that Respondent could not and therefore did not charge in its defense that Petitioner had used its patents in that manner—and that is the only manner of use of patents which this Court has condemned as improper under the doctrine. All that Respondent alleged in its answer as constituting Petitioner's "improper use" of its patents is that Petitioner used its patents *to aid its business* in unpatented forms.

It thus is obvious that the "improper use" doctrine as heretofore uniformly defined and applied by this Court, is not applicable to the facts of the present case, with the result that the single and extremely important question here presented is whether or not the doctrine should be extended so as to preclude a patent owner from enforcing his patents merely because he innocuously has used his patents *to aid his business* in the sale of unpatented commodities.

The salutary and important value of any doctrinal law is seriously jeopardized—if not vitiated—by unrealistic extension thereof to facts and situations for which it was neither designed nor intended to be applied. The harmful effects of such unwarranted extension and application may well—and in this case actually do—surpass the beneficial

effects of the doctrine properly construed and properly applied.

Therefore, and because the question here presented is one of first impression in this Court, and is of extremely important and far-reaching effect upon all industry built upon patented inventions—which includes virtually all the principal industries of the nation—it is submitted that judicial extension of the judicially created doctrinal law here involved should not be permitted unless this Court has carefully considered and determined the propriety thereof.

As an additional consideration under this point, it would seem to be clear that the doctrine of “improper use” is not applicable to a situation such as is here presented where the patent owner has not placed anyone under any compulsion or any restraint which in any way is obnoxious to public policy.

The nature of the Petitioner’s business is such that the use of its patented feeding device is a mere incident thereof. Petitioner is not engaged primarily in the manufacture and distribution of its patented device, but on the contrary its business is that of designing business systems for record-keeping upon a tailormade basis to fit the requirements of individual customers (R. 6, 18).

The salesman approaches the customer, not for the purpose of interesting him in the installation of Petitioner’s patented feeding device, but for the purpose of devising a business system of record-keeping that will furnish accurate and economical records for the customer at a savings in the cost of producing a completed record. A study of the customer’s business, its record requirements, its office methods, and the business machines available for use is undertaken by the agent, and record forms are designed for use based upon this information. Thus the salesman’s primary concern is to convince the customer that the business system

proposed by Petitioner is desirable. If the salesman fails in this, he goes no further; but if the customer can then be convinced that the business system will meet his particular record-keeping requirements in a satisfactory manner, the forms which have been designed are printed by the Petitioner with marginal punched holes, and the Petitioner's feeding device is made available for feeding those forms as long as the customer desires and requires the use of Petitioner's forms.

The feeding device, therefore, is but an incident in the sale and use of the Petitioner's business systems.

In order to carry out this sound business purpose the license agreement in question is merely an announcement by Petitioner, in advance, of the terms upon which it will do business with its customers. This license agreement leaves it to the sole business judgment and discretion of the customer whether he desires to accept those terms and, if he accepts them, as to how long he desires to use Petitioner's products.

The so-called restriction complained of by Respondent is not a restriction obnoxious to any rule of public policy, because by the language of the contract the customer is free at any time to buy continuous forms from any competitor which, by commercial practice and desirability from the standpoint of physical results in the record-making, must entail the use of the feeding device of the competitor who manufactures and furnishes the forms.

The finding by the Circuit Court of Appeals that competitors could make continuous forms marginally punched for use over the Petitioner's device is inconclusive and erroneous, for the reason that no matter what the competitors *could* do, the fact remains that in this industry they do not make forms for use over other persons' pinfeeding devices (R. 15, 17 and 36).

The customer having a clear option, therefore, which option determines the length of time during which he has real and substantial need for the Petitioner's feeding device, constitutes the primary point of distinction between the facts of this case and the facts of prior adjudications of this Court upon the unrelated subject of tying clauses in patent licenses. In every case heretofore considered there has been the element of *compulsion* upon the customer to use the unpatented supply with the patented device as a condition of its continued use, which this Court has declared obnoxious on grounds of public policy. In the case at bar no such obnoxious compulsion exists for the reasons pointed out above.

It has long been the law that a police regulation, or any other expression of public policy in the public interest, to be valid, must not be unreasonable; that is, it must be both necessary and appropriate for the accomplishment of the legitimate objects of the public welfare expressed by the rule of public policy. As this Court observed in *Federal Trade Commission v. Gratz*, 253 U. S. 421 at 427:

"The words 'unfair method of competition' are not defined by the statute, and their exact meaning is in dispute. * * * They are clearly inapplicable to practices never heretofore regarded as opposed to good morals because characterized by deception, bad faith, fraud, or oppression, or as against public policy because of their dangerous tendency unduly to hinder competition or create monopoly. The act certainly was not intended to fetter free and fair competition as commonly understood and practiced by honorable opponents in trade."

And again, in *United States v. Colgate & Co.*, 250 U. S. 300 at 307, this Court said:

"In the absence of any purpose to create or maintain a monopoly, the act does not restrict the long recog-

nized right of trader or manufacturer engaged in an entirely private business, freely to exercise his own independent discretion as to parties with whom he will deal. And, of course, he may announce in advance the circumstances under which he will refuse to sell. * * * 'A retail dealer has the unquestioned right to stop dealing with a wholesaler for reasons sufficient to himself, and may do so because he thinks such dealer is acting unfairly in trying to undermine his trade,' "

Clearly it has long been the established policy of this Court that combinations in restraint of trade, in violation of the Anti-Trust Laws, have been held illegal only when the combination undertook by agreement, express or implied, or through concert of action, to prevent others from freely exercising their business judgment and discretion as to the persons with whom and the terms upon which they would deal.

These principles are applicable here, and before the doctrine of "improper use" of patents as expressed in the prior decisions of this Court can be applied to the facts of this case, it must be established that this contract restrains trade in a manner hurtful or harmful to the public and, therefore, unlawful. The mere fact that the patents are used as an inducement to purchase or as an incentive to use Petitioner's continuous forms is not a showing sufficient to make the resulting restriction unlawful as against public policy. It restrains trade no more and to no greater extent than in the *Gratz* case, where a seller of cotton bagging and steel ties for baling cotton refused to sell the steel ties without the cotton bagging being included in the same order.

True, no patents were involved in that case. But the mere fact that patents are involved here does not change the rule unless it can be shown that the resultant restraint

of trade is an unlawful restraint and therefore one which has a direct and necessary adverse effect upon the public welfare.

POINT II.

The question presented is of great and far-reaching importance to the public as well as to all industry and commerce which, in any respect, is based upon or in any way affected by the ownership of patent rights.

Fundamentally, the decision of the Court of Appeals in this case, in practical effect, deprives all manufacturers of their property rights in patents by decreeing the unenforceability thereof if they use their patents in any way *to aid them in their business in the sale of an unpatented article*. Thus, if a patent owner, proud of his ownership of a patent for an ingenious and universally known product, should so much as advertise his manufacture and sale of an *unpatented* product and simultaneously acquaint the purchasing public with the fact that he is the inventor or owner of the patent for the patented product for the purpose of giving assurance of his ability to responsibly produce the unpatented commodity, he would be precluded from enforcing his patent against a wilful and deliberate infringer merely because he had used his patent *to aid his business in the sale of his unpatented product*.

Another, and perhaps more apposite illustration would be the facts of the present case. Petitioner loans its patented feeding device to its customers for the unpatented business forms which Petitioner sells. The mere loan of the patented device carries with it, by implication of law, a license to the loanee, under Petitioner's patents for the device, to use the device for its intended purpose. The loan, in the first instance, is conditioned upon the giving of a

token order for \$50.00 of the business forms for which the device is needed and without which such forms would be of no use for their intended purpose. The tenure of the loan is thereafter determined by the customer's option to continue to use the forms of Petitioner's manufacture. The customer is free to use cut forms, etc., over the device during the continuance of the license. Thus, in every material respect the situation is the same as that approved by this Court in *Federal Trade Commission v. Sinclair Refining Co.*, 261 U. S. 463. It is believed to be beyond question, as was held by this Court in that case, that, without breaking any law or violating any equitable principle, one owning no patents could loan a mechanical device to another on the condition that the tenure of the loan would be co-extensive with the acquisition by the loanee from the loanor of material to be dispensed by or used in connection with the mechanical device loaned. If this may be done with entire propriety by one who owns no patent, surely the mere ownership of a patent for the mechanical device does not create an illegality or an equitable impropriety, where, as in the case here, there is free competition and the loanee is under no compulsion obnoxious to any rule of public policy.

Nevertheless, Respondent, by its defense, asserted, and the Courts below held, that Petitioner has been guilty of "improper use" of its patents for the feeding device—not because Petitioner has sought to use its patents as the effective means of creating or maintaining a monopoly in or restraining competition with its sale of unpatented business forms—but merely because, in giving a license under its patents for the feeding device when Petitioner loans the device to its customers for business forms, Petitioner is thereby aiding its business in the sale of the unpatented forms.

If Petitioner owned a dominating patent for airplanes, and as an inducement to acquire business forms from Petitioner it offered each prospective customer a royalty-free license under its said patent this, under the decision of the lower Courts in this case, would constitute a use of the airplane patent for the purpose of *aiding Petitioner in its business in the sale of unpatented business forms* and thereby render unenforceable the airplane patent against wilful infringement thereof. No such thing was ever contemplated by or intended to be the consequence of the "improper use" doctrine.

Of course, it is quite evident, on the simple facts of this case, that Petitioner *does* aid its business in its sale of unpatented forms by means of loaning its feeding device to its customers for such forms. Indeed, without the feeding device, the forms would be of no utility to those customers for their intended purpose. Thus, the crux of this case resolves itself into the simple statement that because Petitioner's feeding device required inventive ingenuity for its creation and patents were procured thereon, and because Petitioner loans its feeding devices, without charge, to its customers for forms, without which devices the forms would not have the intended utility, and because the tenure of the loan is dependent upon the customer's need for the device for use in connection with Petitioner's forms, and because the loan agreement expresses a license under Petitioner's patents, assuring to the customer uninterrupted use of the loaned device while in his possession in so far as any patents of Petitioner are concerned, Petitioner has been held to have so improperly used its patents as to preclude their enforcement against a wilful and deliberate infringing manufacture of feeding devices. It is believed to be self evident that no such result was intended by the "improper use" doctrine, or should be permitted under that doctrine.

It is made obvious by a mere reading of the loan agreement, or the material parts thereof (*ante*, pp. 5-6), that the feeding device is loaned for use only with Petitioner's business forms, just as in the *Sinclair Oil* case (261 U. S. 463) the gasoline dispensing equipment was provided for dispensing only Sinclair gasoline. But it is equally as obvious from the loan agreement that there is neither *compulsion* upon the customer to acquire business forms only from Petitioner, nor *prohibition* upon the customer preventing the acquisition of business forms, or feeding devices, or both, from whomsoever the customer may desire. This is not by strained interpretation or implication, but by direct, simple, contractual expression. This fact, alone, not only takes this case completely outside of the "improper use" doctrine, as consistently defined by this Court, but also takes it completely outside of any proper or reasonable extension of the doctrine.

It is generally recognized that the principal industries, if not substantially all industries in the United States, are built upon research and invention which properly has been protected by patent rights. If the "improper use" doctrine is extended, as the Courts below in the present case have done, it will have a far greater devastating and injurious effect upon industry and the American patent system than would any of the recent radical proposals for legislation designed to have that result. All such proposals have been most emphatically, and without exception, rejected by the public at large, the industry, the Bar, and the Courts. It is therefore believed that so important is the question here presented that the present disposition thereof by the lower Courts should not be allowed to stand as a precedent without the consideration by and approval of this Court.

Conclusion.

Wherefore Petitioner earnestly prays that the petition for writ of certiorari be granted, the case be reviewed, and the judgment of the Court of Appeals for the Second Circuit be reversed and the cause remanded to the United States District Court for the Western District of New York with instructions to reinstate the complaint in this cause to thereby afford Petitioner a trial on the merits of its charge of patent infringement.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Petitioner.

W. B. TURNER,
MARSTON ALLEN,
Of Counsel.

Dated: New York, N. Y.
July 2, 1945.

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Supreme Court of the United States
October Term 1945

No. 202

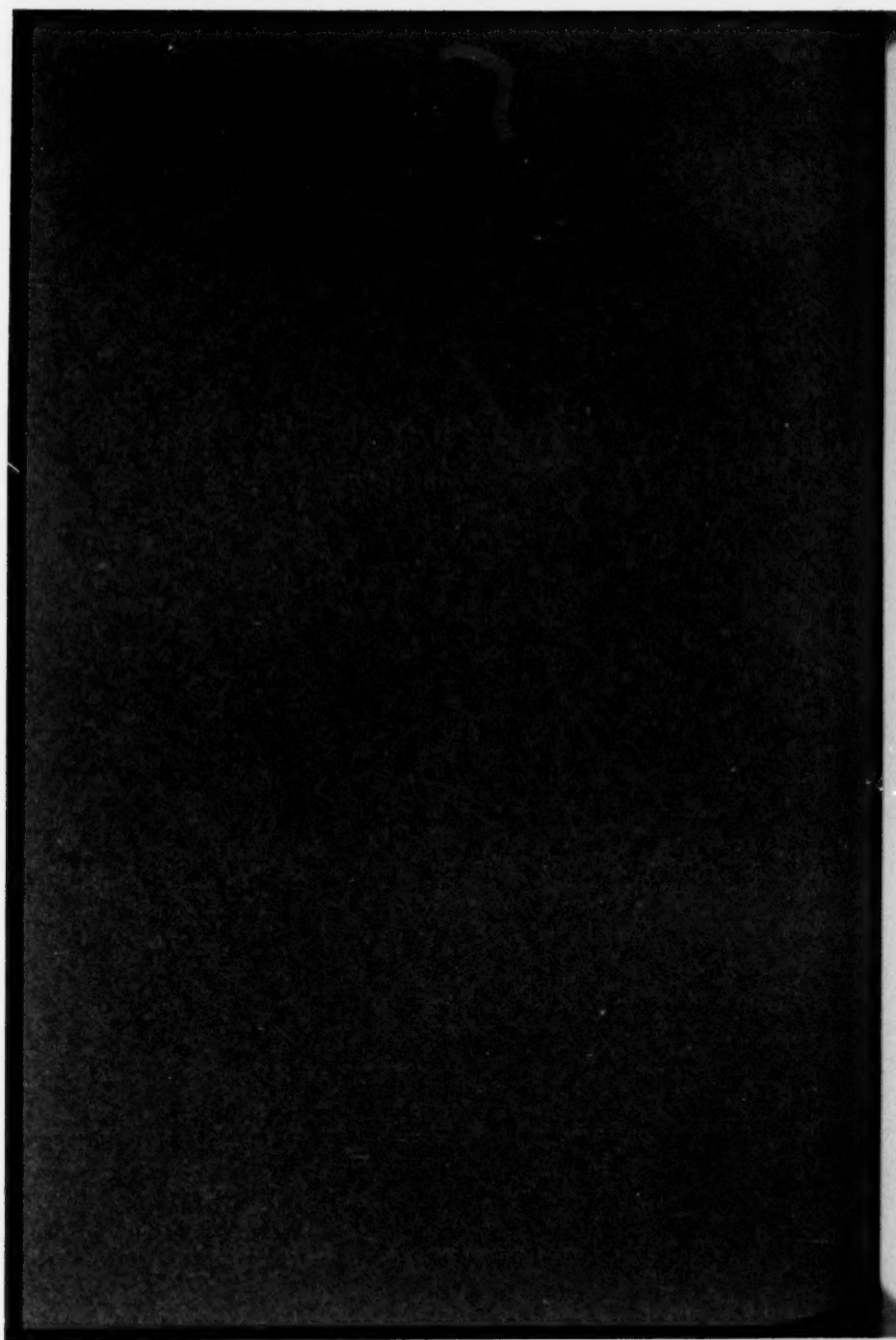
THE STANDARD REGISTER COMPANY

AMERICAN SALES CORPORATION

**BRIEF IN OPPOSITION TO PETITION FOR A
WRIT OF HABEAS CORPUS**

Submitted by
WILLIAM H. HARRIS
Counsel for Respondent

July, 1945



IN THE
Supreme Court of the United States

OCTOBER TERM 1945

THE STANDARD REGISTER COMPANY,
Petitioner,

vs.

AMERICAN SALES BOOK CO., INC.,
Respondent.

No. 202

**BRIEF IN OPPOSITION TO PETITION FOR A
WRIT OF CERTIORARI**

The decision below of the Circuit Court of Appeals for the Second Circuit (148 F. 2d 612; R. 76), affirming the judgment of the district court for the Western District of New York (opinion, 56 F. Supp. 475; R. 145) was right. The courts below correctly applied the "misuse of patents" rule stated in *Carbice v. American Patents*, 283 U. S. 27; *Morton Salt v. Suppiger Co.*, 314 U. S. 488; and other cases.*

Petitioner's brief does not assert that the decision below is in conflict with that of any other court, nor do we know of any conflict.

The decision was that patent suits brought by petitioner against respondent should be dismissed because of peti-

**Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458; *B. B. Chemical Co. v. Ellis*, 314 U. S. 495; *Mercoird Corp. v. Mid-Continent Inv. Co.*, 320 U. S. 661.

tioner's misuse of the patents. Petitioner's business "is primarily the sale of marginally punched business forms" which are "unpatented" (stipulation, R. 37), and the patents were on machines for feeding and aligning the unpatented paper forms when used with typewriters, tabulating machines and the like. The misuse consisted of petitioner requiring each user of the paper forms, to whom petitioner leased one of its feeding devices, to sign a License, listing fifty United States patents, several Canadian patents and "other patents pending" (stip., R. 37, 67, 70), which purport to cover the feeding device—not the paper used with it, the License containing wrongful provisions.

1. The License provided that the patent license and lease "shall continue only so long as the User purchases from the Owner" a specified minimum amount of the paper, and does not use with the licensed device paper bought from others (License, R. 39). Thereby, petitioner, by its patents on the device, sought to control or affect purchases of unpatented paper. Although petitioner had the right under the patent laws to sue for infringement of its machine patents anyone who made, sold or used **infringing** machines, petitioner could not properly use machine patents to restrain competition in unpatented paper supplies, as the courts below correctly decided.

Thus in the *Morton Salt* case, as here, the patentee leased the machine covered by the patent upon the condition and with the agreement of the lessee that only the lessor's salt tablets be used with the machine. This Court held that this was a misuse of the patent barring the patentee from relief in a court of equity for infringement of its patent monopoly, since the natural effect of this pro-

vision was to restrain competition with the patentee's unpatented salt tablets.

In *B. B. Chemical Company v. Ellis*, 314 U. S. 495, there was not even an express condition or agreement that the licensed process be used only in connection with fabric purchased from the licensor. It was held that as the licensor's sale of unpatented fabric, for use with the patented method, operated as a license to use the patented method only in connection with such fabric, the arrangement constituted an improper attempt to use the monopoly of the patent to restrain competition in the sale of unpatented material.

Petitioner argues that the decisions below held that any use of petitioner's feeding machine patents to aid its business in the unpatented paper forms was unlawful, and misquotes respondent's position by saying "Petitioner is charged solely with 'using the monopoly of the patents here in suit for the purpose of aiding *Plaintiff's* (petitioner's) business in such paper forms'* (brief, pp. 9, 16), although the charge was 'unlawfully using the monopoly,' " etc. (R. 2). Such unlawful misuse was precisely that which this Court disapproved of in the *Carbice*, *Morton Salt* and similar decisions.

2. The License also contained the following provision:

"The User accepts this licensed property and agrees that the licensed property is the property of the said Owner and that the title to it is and shall remain in said Owner, and agrees not to directly or indirectly contest the validity of the Letters Patent of the Owner covering the licensed devices or mate-

*Italics petitioner's.

rial or both; or of patents subsequently obtained by the Owner covering the same, of which notice is given to the User; this obligation to apply during the life or term of said patents; * * * (R. 39).

This provision was also asserted by respondent to constitute a misuse of patents, but the district judge concluded otherwise (R. 52); and the opinion of the Circuit Court of Appeals does not mention it.

However, it seems plain that this also is a "misuse", because a lessee of petitioner's feeding device is thereby deterred from using a competitor's feeding device. If the lessee be sued on petitioner's patents for use of the competitor's device, the lessee is deprived of the very valuable defense that the patents are invalid. It is true that in such case petitioner is using its machine patents against competing machines, and not to restrain competition in unpatented paper, but the "misuse" here is an agreement beyond the ordinary patent license estoppel that the licensee can not dispute validity as to the things licensed, because the agreement here is unlimited, covering things not licensed, such as competing devices, and extending to "patents subsequently obtained" by the Petitioner, i.e., even after the signing of the License.

3. Petitioner says (brief, p. 16) that the following paragraph in the License shows that there is no misuse, viz:

"But nothing herein shall be deemed to restrict the User in the purchase of continuous manifolding form material from others than Owner, or to limit the User in the purchase, lease or license of feed aligning devices of others excepting that no license is to be implied hereby under the patents referred to in Schedule One as to such products of others."

Plainly, this provision does not cure the objectionable features of the License. If, under this provision, a lessee of petitioner's feeding device buys paper forms, or another feeding device, from one of petitioner's competitors, he is not relieved of the obligation to buy the specified minimum amount of forms from petitioner in order to maintain his license, nor is he relieved from the admission of validity of petitioner's patents under which he may be sued, because this provision expressly states that no license is to be implied as to either the competitive forms or the competitive feeding devices.

4. In this Court, as in the courts below, petitioner asserts that the "misuse of patents" doctrine does not apply unless the misuse is shown to have caused, or that it probably will cause, a "monopoly" (petitioner's brief, pp. 8 through 10, 16 through 21) and that "The mere fact that the patents are used as an inducement to purchase or as an incentive to use Petitioner's continuous forms is not a showing sufficient to make the resulting restriction unlawful as against public policy" (brief, p. 20). But it is "misuse" if the patents are used in the attempt to cover things outside the patent monopoly, as this Court held in the *Morton Salt* case. There, the Seventh Circuit Court of Appeals decided that the "misuse of patents" doctrine required antitrust violation, and that there was no misuse unless competition was substantially lessened or there was a tendency to create a monopoly, 117 F. 2d 968. But this Court reversed, saying (314 U. S. 488, 490):

"The question we must decide is not necessarily whether respondent has violated the Clayton Act, but whether a court of equity will lend its aid to pro-

tect the patent monopoly when respondent is using it as the effective means of restraining competition with its sale of an unpatented article”.

CONCLUSION

The courts below rightly decided that the patent suits brought by petitioner should be dismissed because of petitioner's misuse of the patents in suit, in accordance with the *Carbice*, *Morton Salt* and other cases. There is no conflict of decisions nor other reason why the petition for certiorari should be granted.

Respectfully submitted,

STEPHEN H. PHILBIN,
WILLIAM J. BARNES,
Counsel for Respondent.

July, 1945.



(41)

FILED

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CHARLES ELMORE CRISLEY
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IN THE

Supreme Court of the United States

October Term 1945.

No. 202

THE STANDARD REGISTER COMPANY,
Petitioner,

vs.

AMERICAN SALES BOOK CO. INC.,
Respondent.

**PETITIONER'S REPLY TO RESPONDENT'S BRIEF
IN OPPOSITION TO PETITION FOR CERTIORARI.**

SAMUEL E. DARBY, JR.,
Counsel for Petitioner.

W. B. TURNER,
MARSTON ALLEN,
Of Counsel.



IN THE
Supreme Court of the United States

October Term 1945.

No. 202

THE STANDARD REGISTER COMPANY,

Petitioner,

vs.

AMERICAN SALES BOOK CO. INC.,

Respondent.

**PETITIONER'S REPLY TO RESPONDENT'S BRIEF
IN OPPOSITION TO PETITION FOR CERTIORARI.**

The brief opposing the petition for certiorari brings out quite clearly, we believe, the point that the present issue is one not heretofore decided by this Court. We ask the privilege of a few remarks on this point.

Respondent fails to take into consideration the following primary propositions:

1) Activity of a business concern in connection with a machine which it makes is not activity in connection with a *patent* on the machine. This is because a patent is a right of exclusion only, and gives no right to the business to make, sell and use its machine.

2) Decisions of the Courts relative to the misuse of patents relate to activity of a patentee in connection with its *patents* directed to *using* the patents *themselves* as a

mode of exclusion of competitors from a field not occupied by the patents themselves.

3) The present cause involved an attempt in good faith on the part of a patentee to gain advantage in its business from a *mechanism*, useful in connection with a commodity which the patentee makes and sells, *without using its patents* for that purpose.

4) The way in which the patentee, here, uses its mechanism to further its business, has frequently been held by this Court to be legal, and is not attacked by the respondent as being illegal.

5) The patentee here issues a license to users of its mechanism under its patent, and the way in which it makes certain that the patent cannot be considered as being used in any way to control business in the commodity in question, is to so state expressly in the license.

The factual situation bearing on the above propositions, as revealed by the briefs of petitioner and respondent, may be summarized as follows:

(a) It is quite obvious that what petitioner attempted to do was to benefit its business in its continuous business forms by virtue of a mechanical device that it had worked out which was designed to provide an accurate feed of its forms in various types of bookkeeping and typewriting machines. It attempted to protect its devices by patents, and the present inquiry concerns what petitioner did with its *patents*, not what it did with its *mechanical device*. Respondent does not charge, nor could it do so on the record, that petitioner had ever conducted any campaign whatever wherein its patents were used as the basis of threats to continuous form users. In this important factor, the present case is *sui generis* over any of the preceding cases in this Court. Thus, the record in the *Morton Salt v. Sup-*

piger case, 314 U. S. 488, was replete with letters showing an effort to bring to bear the force and effect of patents on tablet dispensers in the salt tablet business. See, also, the course of activity in the case of *B. B. Chemical Co. v. Ellis*, 314 U. S. 495. It is further significant that no charge whatever is made that petitioner was not ready and willing to license respondent and its other competitors under its patents for a reasonable consideration. Indeed it has been and is quite willing to do so.

(b) The only charge by respondent is that petitioner required the loan agreements which are set forth in full in the record. It is quite evident that these loan agreements were so worked out as to (1) fail to require any covenant on the part of the loanee to refrain from using continuous forms of other makers with the loaned paper feeding device of the petitioner, and (2) to include a license under only those of a group of patents included in an attached schedule which applied to the particular loaned device, and (3) at the same time to eliminate any idea on the part of the loanee that because these patents were included and licensed, this placed any duty on the loanee to observe any conditions in connection with its use of continuous forms of others in any way, or in connection with its use of feeding devices of others in any way. Respondent says that the clause "But nothing herein shall be deemed to restrict—purchase of continuous—material from others—or limit—purchase, lease or license of feed aligning devices of others—", does not cure "the objectionable features" of the License.

This is clearly wrong. The effect was to avoid a charge that *patents* were being used to influence the purchase of continuous forms, because this proviso in the leases directly eliminated patents as a restrictive element.

(c) It is very clear that the loanee incurred but one obligation as to whatever patents on the schedule attached to the loan agreement might apply to the device loaned, viz: to respect their validity. The District Court held this to be within the law. The Court of Appeals did not comment on this point in affirming the District Court, ignoring respondent's contentions. This validity covenant is thus not really before the Court on the present petition, since respondent is not seeking review on this ground.

(d) The reasoning of this Court in the *Morton Salt* case (*supra*) was that such covenants as appeared in the license agreements in *that* case were not enforceable, in accordance with the *Motion Pictures Patent* case, 243 U. S. 502. Accordingly, the Court held that the patents behind such covenants would not be entertained in infringement suits by the Courts on the ground of public policy. But here the respondent does not charge that there was any covenant which could be enforced. The loan agreements here simply required that if the loanee ceased to buy a certain minimum of paper from the Owner, then right to continue to use the feeding device was concluded. Also, if the device was used with material not purchased from the Owner, the same situation would apply. The petitioner acquired no right of action by virtue of the loan agreement to prohibit the use of the device with forms supplied by another. Neither did it acquire any right to sue for patent infringement in such event, for one reason because such a right was unequivocally disclaimed.

Since all competitors had feeding attachments of their own, built to take paper having other kinds of holes in it adapted to their feeding devices, and no one was making paper adapted to Petitioner's feeding devices (albeit they could have done so), there was no compulsion whatever in

the agreements so far as concerned the purchase of continuous forms.

(c) We showed in our brief on the present petition (and respondent has not answered our showing)—THAT OWNING PATENTS ON THE FEEDING DEVICE IS THE SOLE BASIS OF THE CHARGE OF LEGAL WRONG AGAINST PETITIONER. Respondent says that what petitioner did that was wrong was to loan its device on the basis that the loan was over unless a certain small amount of paper was continuously purchased from the owner, or paper of others was used over the device. Both of these aspects of the loan were not illegal at all. The loan agreements contained no contractual obligation enforceable against the User except to return the device. Respondent says:

“Thereby, petitioner, by its patents on the device sought to control or affect purchases of unpatented paper.”

But the only way in which the *patents* were said to have been *used* was that the loan included a license under the patents. Respondent refused to discuss the point that the agreements as worded did not constitute a *use* by petitioner of its *patents* in controlling anything whatever.

The Court of Appeals in its decision shows perfectly clearly that it considered the conduct of petitioner to be otherwise perfectly legal so far as its control of the feeding devices was concerned, and only illegal because petitioner had a patent on the device and purported to grant a license thereunder in the loan agreement.

The Court, having first observed that it was significant that others could have, although there was no showing that any others ever had, furnished papers which would work with the patentee's device, said:

“The contention that the patentee is not using his patents to force the lessee to use his paper is met by

the fact that the lessee cannot obtain the use of the platen unless he uses the plaintiff's paper and the plaintiff's paper only with that platen."

The conduct involved in permitting the use of the platen as an adjunct to the sale of paper is not said to be bad, but it is said to be a mis-use of the *patent* on the platen to do so, i. e., the fact that a *patent* was owned on the device made the practice of the plaintiff bad, whereas otherwise it would be good.

What we have here is a conscientious attempt to stay clear of "mis-use" of patents, and at the same time not throw away the value of the patent monopoly. It is clear that American business would try to do this, and we earnestly pray this Court to pass on the proposition of whether or not the petitioner has succeeded in doing so in the present case.

Conclusion.

Petitioner earnestly prays that its petition for writ of certiorari be granted.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Petitioner.

W. B. TURNER,
MARSTON ALLEN,
Of Counsel.





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CHARLES ELMORE DUNN BY
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IN THE
Supreme Court of the United States
October Term, 1945

No. 202

THE STANDARD REGISTER COMPANY,
Petitioner,

vs.

AMERICAN SALES BOOK COMPANY, INC.,
Respondent.

**PETITION FOR REHEARING OF PETITION FOR
WRIT OF CERTIORARI TO THE CIRCUIT COURT
OF APPEALS FOR THE SECOND CIRCUIT.**

SAMUEL E. DARBY, JR.,
Counsel for Petitioner.

W. B. TURNER,
MARSTON ALLEN,
Of Counsel.



IN THE
Supreme Court of the United States
October Term, 1945

No. 202

THE STANDARD REGISTER COMPANY,
Petitioner,

v.s.

AMERICAN SALES BOOK COMPANY, INC.,
Respondent.

**PETITION FOR REHEARING OF PETITION FOR
WRIT OF CERTIORARI TO THE CIRCUIT COURT
OF APPEALS FOR THE SECOND CIRCUIT.**

*To the Honorable, the Chief Justice and Associate Justices
of the Supreme Court of the United States:*

Now comes your petitioner, and prays this Honorable Court for a rehearing of its petition for a writ of certiorari in the above entitled cause, which was denied by this Court on October 8th, 1945.

This petition is presented because it is feared that this Court did not have brought forcibly enough to its attention the far reaching consequences of allowing the judgment of the Court of Appeals below to stand without review of all of the facts involved in the case, and consideration, in the light thereof, of the extremely harmful effects upon the

industries of the nation that may and probably will flow therefrom.

As stated in the petition, this case is one of first impression in this Court.

A *patent* right consistently has been held by this Court to constitute a *property* right (*Hartford Empire et al. v. United States*, Ad. Op. 89 L. Ed. 302). A patent right consists of no more nor less than the right of exclusion which can be made effective only by suit for infringement. It inevitably follows that to deprive a patent owner of his right to exclude—his right to enjoin an infringer—is to deprive the patent owner of his property rights. The Fifth Amendment to the Constitution, as consistently construed by this Court, prevents depriving one of his property rights without due process of law.

This Court, with entire propriety, and motivated by the public interest, has created what is now known as the “improper use” doctrine which deprives a patent owner of the right to enforce his patent if the patent has been used for an illegal purpose or in a manner which is contrary to the public interest. The far reaching legal and economic consequences of extending this judicially created doctrine, justified by the police powers of the Government, to a situation such as is here presented, *where the right of exclusion of the patent grant has not been used at all*, should, we believe, give pause to a denial of the petition for writ of certiorari in this case, where such denial leaves undisturbed a judgment of an Appellate Tribunal which is capable of having that effect.

Since the enactment of the patent statute a patent grant, used properly as a means to enforce its exclusivity, has imposed a restraint in trade or commerce in the commodity covered by the patent. This was intended by the patent statute, and was accepted as a *reasonable* restraint of trade

and commerce despite the broad, underlying public interest expressed in the theorem of free trade and commerce.

Indeed, every sale, contract, lease, or business transaction in some manner and to some extent inevitably constitutes a restraint in trade or commerce to the extent of such transaction. But these daily transactions, too, were regarded as *reasonable* restraints, necessary for normal conduct of businesses. In consequence, early in judicial administration of our federal laws, it was recognized and announced that *reasonable* restraint in trade and commerce was neither illegal nor contrary to the underlying public interest. To the contrary, it was only such restraints as were *unreasonable* that were condemned (*Standard Oil Co. v. U. S.*, 221 U. S. 1, 62).

In the present case no one has suggested—and *neither of the Courts below made any finding*—that the restraint petitioner is assumed to have imposed upon its customers by the lease agreement it made therewith is an *unreasonable* restraint, either illegal *per se* or contrary to the public interest.

The essence of the situation here involved is that petitioner owns a patent for a mechanical device, which device it loans, without charge, to its customers under an agreement which requires the customer to return the device to petitioner when he ceases to be a customer. It is obvious on the face of things that if petitioner owned no patent, such a transaction would be legal and proper, because it would not be violative of any legal, ethical, or business principle known today. However, the effect of the decision of the Court of Appeals below in this case is that because petitioner does own a patent on the device, its ordinary business transaction, *legal and proper per se*, becomes not only illegal but also so improper that petitioner is deprived of its property right in the patent—its right of exclusion of a de-

liberate infringer—even though petitioner has not, either by threat or suit, used the patent as a means of getting or maintaining any of its customers, or of excluding competition by others with any of its customers, which, alone, expressly constituted the “improper use” of patent rights so characterized and condemned by every “improper use” case heretofore decided by this Court. It is because petitioner in this case has *not* done, and under its lease agreement was *incapable* of doing, *any* of the things with which the patent owners in the prior “improper use” cases were found by this Court to have done, that the present case is completely distinguished from those cases, and makes the issue of this case one of first impression in this Court.

As a result, not only has the ownership of a patent right become a *liability*, but, also, the patent owner has been deprived of his property rights—his ownership of the right to exclude—without due process of law.

It is believed that the foregoing considerations will make it abundantly clear to the Court why, from the importance of the matter to American industry which is built upon patent rights, and which, factually, constitutes the overwhelming majority of American industry today, this Court should reconsider its action denying writ of certiorari in this case, and give all patent owners of the years to come the benefit of this Court’s careful consideration and judgment on the important question here presented.

Conclusion.

Wherefore, petitioner earnestly prays that its petition for writ of certiorari be reconsidered, the petition be granted, and the case reviewed by this Court.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Petitioner.

W. B. TURNER,
MARSTON ALLEN,
Of Counsel.

Dated: New York, New York,
October 31, 1945.

Certificate.

I hereby certify that the foregoing petition is presented in good faith and not for the purpose of delay.

SAMUEL E. DARBY, JR.